Firms with women directors fare better

Study finds link between board diversity and the bottom line

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IF SINGAPORE-LISTED firms ever needed a strong reason to crank up the dismal number of women on their boards, the results of a recent study should provide the much-needed impetus.

Apart from the oft-cited need for gender fairness, the survey points to a compelling reason relating to the bottom line.

It found that firms opening their doors to new female directors posted marked improvements in return on equity (ROE) and return on assets (ROA) over the following three years.

These are commonly used measures of corporate success.

The findings were revealed in the third edition of the annual Singapore Board Diversity Report by NUS Business School’s Centre for Governance, Institutions and Organisations (CGIO) and BoardAgender.

And there is more.

Firms with higher-than-average numbers of women on boards also scored better on governance and transparency.

This proves that diversity makes good business sense, said Acting Manpower Minister Tan Chuan-Jin at the launch of the report here yesterday.

This was the first time the study had looked at the impact of female board representation on corporate performance.

For now though, the numbers remain disheartening: only eight out of every 100 directors in firms listed on the Singapore Exchange (SGX) are women.

The study noted that only 7.0 per cent of all board directors in Singapore’s listed firms were women in 2012, just marginally up from 7.1 per cent the year before and 6.9 per cent in 2010.

“We are moving but progress is painfully slow at snail’s pace. We need to move from (raising) awareness to action,” said NUS Business School associate professor and CGIO associate director Marleen Dieteman, who is also the report’s co-author.

The numbers are less inspiring when compared with regional peers – Indonesia (11.6 per cent), Malaysia (8.7 per cent) and Hong Kong (8.4 per cent).

Compared with developed countries where women make up over 15 per cent of board directors, it is even less flattering. In top spot is Norway with 41 per cent, thanks to a mandatory quota.

In the US, it is 16.0 per cent and in Australia, 15.8 per cent.

Mr Tan said that while women are half of the workforce, only a small number make it to the top.

The woeful representation on boards is just one example. Also, only 4.0 per cent of the chief executives and 3.4 per cent of board chairmen are women. “We need a change of mindset and we can’t legislate that. Our culture needs to change,” he said in a panel discussion held yesterday.

While bias is one factor, he said, a bigger challenge for women is balancing work and caregiving duties. One way of addressing this is by providing women support on the home front.

Another is by providing childcare facilities. About 20,000 more childcare places will be added over the next four years.

The report took a close look at 667 listed firms here based on annual reports last year. It was supported by UBS and the SGX.

For the first time, the study also involved a ranking of the top 10 firms in terms of gender-balanced boards and women holding leadership board roles aimed at stimulating board renewal. In the top spot was Indonesian financial services group Malacca Trust and Catalist-listed CCFH. Hospitality group Banyan Tree Holdings and Straits Times, with interests in tin smelting and property, jointly held third place.